

plan and commitment of support at the highest institutional levels.

Specifically, the Committee recommends that educational institutions, auditing firms, corporations, federal and state regulators, and others engage in a two-fold strategy to both encourage cross-sabbaticals and eliminate financial or career disincentives for participating in such experiences. Further, the Committee recommends that university administrators place as high a value on professional sabbaticals for purposes of promotion and tenure for research and scholarly publication.

The Committee also recommends that accrediting agencies establish an expectation that at least one full-time member per year of each accounting faculty group participate in a sabbatical with a private sector or a governmental entity. Auditing firms, corporations, government agencies, and universities should be expected to provide these opportunities with the elimination of any financial disincentives. Further, the Committee recommends expanding faculty fellowship programs in agencies, such as those at the SEC and the FASB, and making them available at the PCAOB. The successful long-term operation of these programs at the SEC and the FASB and the application of appropriate conflict-of-interest and recusal rules have demonstrated that these programs can be maintained and expanded while protecting against conflicts of interest.

(c) Create a variety of tangible and sufficiently attractive incentives that will motivate private sector institutions to fund both accounting faculty and faculty research, to provide practice materials for academic research and for participation of professionals in behavioral and field study projects, and to encourage practicing accountants to pursue careers as academically and professionally qualified faculty.

As discussed above, there are concerns about the adequate supply of accounting faculty and about the need to have faculty who can inject more practical experience into classroom learning. Currently, there are few specific financial incentives encouraging private sector funding of accounting doctoral faculty or sponsoring of professional accountants to teach at educational institutions. Nonetheless, the Committee notes that the profession recognizes the need to support initiatives to increase faculty and is currently directing its efforts to raise funds for such a new initiative.<sup>67</sup>

The Committee also heard from several witnesses regarding the unavailability of data relating to auditing practice and the impact this lack of data has on research and potentially on the profession's sustainability. In particular, witnesses stated that the

decline in auditing research materials, including archival or experimental data will lead to a further decline in faculty and doctoral students specializing in auditing.<sup>68</sup> Since educational institutions normally require publications in top tier journals for promotion or tenure, faculty and doctoral students will conduct research in accounting areas where data are prevalent.

The Committee also heard that encouraging more professionally qualified and experienced faculty will foster a stronger relationship between academia and the profession.<sup>69</sup> Currently, there exists a need for more interaction between academia and the profession.<sup>70</sup> Encouraging practicing accountants to pursue careers as academically and professionally qualified faculty would bring practical business experience to classrooms so that students are better prepared to perform quality audits in the dynamic business environment.

Finally, the Committee recommends that Congress pass legislation creating a variety of tangible incentives for private sector institutions to establish support for accounting and auditing faculty and faculty research, to facilitate access to research data and individuals, and to sponsor transition of professional accountants from practice to teaching positions. These incentives must be sufficiently attractive to companies and auditing firms to effect rapid behavioral change, and should avoid cumbersome levels of administration. The Committee believes that these incentives would provide the

necessary impetus to private sector institutions to help increase the number of accounting faculty as well as faculty with significant practical experience.

Recommendation 4. Develop and maintain consistent demographic and higher education program profile data.

The Committee heard testimony regarding the lack of consistent demographic and higher education program profile data concerning the profession.<sup>71</sup> The need for comparable, consistent, periodic information regarding the demographic profile of professional accountants and auditors, related higher education program capacity, entry-level supply and demand of personnel, accounting firm retention and compensation practices, and similar particulars are fundamental to a meaningful understanding of the human capital circumstances which affect the public company auditing profession and its future and sustainability.

Historically, there has been neither an ongoing collection of data nor a centralized location where the general public can access data. For instance, the AICPA publishes a supply and demand study every two years. Additionally, various other groups, such as the AAA, NASBA, colleges and universities, and individuals collect some of these data but not in a manner available and useful for research.

Materials such as those supplied by the Center for Audit Quality to the Committee,<sup>72</sup> previous AICPA Supply and Demand studies<sup>73</sup> and AAA-commissioned demographic research<sup>74</sup> provide examples of

<sup>68</sup> See, e.g., Record of Proceedings (Dec. 3, 2007) (Written Submission of Joseph V. Carcello, Director of Research, Corporate Governance, University of Tennessee, Knoxville, 21), available at <http://www.treas.gov/offices/domestic-finance/acap/submissions/12032007/Carcello120307.pdf> (“[D]octoral students in \* \* \* [a 2007] Deloitte [Foundation] study indicated that lack of access to public accounting firm and client data represented a severe obstacle to the research they want to conduct, and that this difficulty might result in them focusing on a different accounting sub-area. This issue must be addressed, or auditing may cease to exist as a discipline on many university campuses.”); Record of Proceedings (Feb. 4, 2008) (Written Submission of Phillip M.J. Reckers, Professor of Accountancy, Arizona State University, 8), available at <http://www.treas.gov/offices/domestic-finance/acap/submissions/02042008/Reckers020408.pdf> (recommending the development of a means “for researchers to gain access to auditing related data” and noting, without this means, interest in doctoral auditing programs will continue to decline); Record of Proceedings (Dec. 3, 2007) (Written Submission of Ira Solomon, R.C. Evans Distinguished Professor, and Head, Department of Accountancy, University of Illinois, 7), available at <http://www.treas.gov/offices/domestic-finance/acap/submissions/12032007/Solomon120307.pdf> (noting the lack of auditing research data and the “drastic decline in auditing research among extant accountancy faculty and among accountancy doctoral students”).

<sup>67</sup> See Record of Proceedings (Feb. 4, 2008) (Written Submission of Cynthia Fornelli, Executive Director, Center for Audit Quality, 2), available at <http://www.treas.gov/offices/domestic-finance/acap/submissions/02042008/Fornelli020408.pdf> (stating that “[b]ecause of the profession’s concern over the shortage of qualified faculty to teach accounting, the AICPA Foundation, along with the 80 largest CPA firms, are working to raise more than \$17 million to fund additional PhD candidates at participating universities”).

<sup>69</sup> Record of Proceedings (Feb. 4, 2008) (Written Submission of Cynthia Fornelli, Executive Director, Center for Audit Quality, 2), available at <http://www.treas.gov/offices/domestic-finance/acap/submissions/02042008/Fornelli020408.pdf>.

<sup>70</sup> Record of Proceedings (Feb. 4, 2008) (Written Submission of Phillip M.J. Reckers, Professor of Accountancy, Arizona State University, 19), available at <http://www.treas.gov/offices/domestic-finance/acap/submissions/02042008/Reckers020408.pdf>.

<sup>71</sup> See e.g., Record of Proceedings (Dec. 3, 2007) (Questions for the Record of David A. Costello, President and Chief Executive Officer, National Association of State Board of Accountancy, 2–4 (Feb. 6, 2008)), available at <http://www.treas.gov/offices/domestic-finance/acap/QFRs-12-3-07.pdf> (stating that “[s]ince 1970, \* \* \* NASBA and the AICPA have recognized the need for a national database for Certified Public Accountants and have taken steps leading to the development of the database \* \* \* [c]urrently, NASBA is not aware of a mechanism or database which would provide an accurate count of CPAs, without the effect of ‘double counting.’”); Julia Grant, *Demographic Challenges Facing the CPA Profession*, 20 Research in Accounting Regulations 5 (2007) (forthcoming); Record of Proceedings (Dec. 3, 2007) (Written Submission of Ira Solomon, R.C. Evans Distinguished Professor, and Head, Department of Accountancy, University of Illinois, 13), available at <http://www.treas.gov/offices/domestic-finance/acap/submissions/12032007/Solomon120307.pdf> (noting the lack of comprehensive accounting profession supply and demand data and recommending the “establishment of a continuous and comprehensive system that produces more timely and reliable supply and demand data”).

<sup>72</sup> Center For Audit Quality, Report of the Major Public Company Audit Firms to the Department of the Treasury Advisory Committee on the Auditing Profession (Jan. 23, 2008).

<sup>73</sup> Beatrice Sanders and Leticia B. Romeo, *The Supply of Accounting Graduates and the Demand for Public Accounting Recruits—2005: For Academic Year 2003–2004* (2005), available at [http://ceae.aicpa.org/NR/rdonlyres/11715FC6-F0A7-4AD6-8D28-6285CBE77315/0/Supply\\_DemandReport\\_2005.pdf](http://ceae.aicpa.org/NR/rdonlyres/11715FC6-F0A7-4AD6-8D28-6285CBE77315/0/Supply_DemandReport_2005.pdf).

<sup>74</sup> David Leslie, *Accounting Faculty in U.S. Colleges and Universities: Status and Trends, 1993–2004*, A Report of the American Accounting Association (Feb. 19, 2008).